E: SPEECHES 61

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ADDRESS
BY
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TO THE
EDISON ELECTRIC INSTITUTE
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"THE CHALLENGE OF SOVIET POWER"

I appreciate this opportunity to speak to your 27th Annual Convention on the subject of the "Challenge of Soviet Power".

This topic is particularly appropriate for the Edison Electric Institute. It was Lenin who defined Communism "as the Soviet system plus electrification." The very first Soviet economic plan in the early 1920s had as one of its principal objectives the development of a modern electric power system.

In effect, the Soviets propose to electrify Marxism. What they may in fact do is either to shock their backward political institution into key with their more modernized technical and industrial skills or electrocute the whole archaic Marxist political system.

In any event, the Soviet Union has certainly sought to follow up Lenin's emphasis on electric power and has become a leader in many electronic fields. It has developed intensively the role of radio in its massive effort to promote its subversive policy on a world-wide basis. It uses electricity to jam the airways and to build an electronic iron curtain around the minds of their own people.

Approved For Release : CIA-RDP70-00058R000100230011-3

Approved For Release : CIA-RDP70-00058R000100230011-3

In my own business of Intelligence, the various manifestations of electrical power are changing the whole system of information collecting in many vital fields. Electricity operates the radar which is on watch against sneak attack. It helps to make possible the ready transmission of warning of impending danger and as the mass of intelligence pours in day by day, over electric channels, it is electronic machinery which becomes a valued partner in helping us in its collation and dissemination.

* * *

The challenge of Soviet power presents today a triple threat: first, military; second, economic; and third, subversive.

This challenge is a global one.

As long as the principles of international Communism motivate the regimes in Moscow and Peiping, we must expect that their single purpose will be the liquidation of our form of free society and the emergence of a Sovietized, communized world order.

They change their techniques as circumstances dictate. They have never given us the slightest reason to hope that they are abandoning their over-all objective.

We sometimes like to delude ourselves into thinking that we are faced with another nationalistic power struggle of which the world has seen so many. The fact is that the aims of the Communist international with its headquarters in Moscow are not nationalistic; their objectives

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are not limited. They firmly believe, and eloquently preach, that Communism is the system which will eventually rule the world and each move they make is directed to this end. Communism, like electricity, seeks to be an all-pervasive and revolutionary force.

To promote their objectives they have determined -- cost what it may -- to develop a military establishment and a strong national economy which will provide a secure home base from which to deploy their destructive foreign activities.

To achieve this objective, they are devoting about twice as much of their gross national product to military ends as we do. The USSR military effort as a proportion of GNP is greater than that of any nation in the world. Their continuous diversion of economic resources to military support is without any parallel in peacetime history.

We estimate that the total value of their current annual military effort is roughly equivalent to our own. They accomplish this with a GNP which is now less than half of our own.

Here are some of the major elements which go into their military establishment. The Soviet Union maintains an army of 2½ million men and the tradition of universal military training is being continued. The Soviet Army today has been fully re-equipped with a post World War II arsenal of guns, tanks and artillery. We have reason to believe the army has already been trained in the use of tactical nuclear weapons.

Approved For Release : CIA-RDP70-00058R000100230011-3

Approved For Release : CIA-RDP70-00058R000100230011-3

They have the most modern types of aircraft for defense: night and day fighters, a very large medium bomber force and some long-range bombers. They have built less of these long-range bombers than we had expected several years ago, and have diverted a major effort to the perfection of ballistic missiles.

Their submarine strength today is many times that with which Germany entered World War II. They have over 200 long-range modernized submarines and a like number of less modern craft. They had made no boasts about nuclear powered submarines, and on all the evidence, we are justified in concluding that we are ahead of them in this field. We must assume, however, that they have the capability to produce such submarines and will probably unveil some in the near future.

I would add a word on the ballistic missile situation.

When World War II ended, the Soviet acquired much of the German hardware in the missile field, V-1 and V-2, and with them many German technicians. From that base, over the past ten years, they have been continuously developing their missile capability, starting with short-range and intermediate-range missiles. These they have tested by the hundreds, and have been in production of certain models for some time.

They also early foresaw that in their particular geographical position, the long-range ballistic missile would become their best instrument in the power struggle with their great rival, the United States. As the size and weight of powerful nuclear weapons decreased,

Approved For Release : CIA-RDP70-00058R000100230011-3

Approved For Release : CIA-RDP70-00058R000100230011-3

with the improvement of the art, they became more and more persuaded of this. Hence, they have concentrated on these weapons, have tested some and assert that they now have ICBMs in serial production.

They hope in this way eventually to be able to hold the U.S. under the threat of nuclear attack by ICBMs while they consolidate their position in the fragile parts of the non-Communistic world.

Before leaving the military phase of the Soviet threat, I want to dispel any possible misinterpretations. First, I do not believe that the Soviet now have military superiority over us; and second, I do not believe that they desire deliberately to provoke hostilities with the U.S. or the Western world at this time. They are well aware of our deterrent force. They probably believe that the risks to them even if they resorted to surprise attack would be unacceptable.

Taking into account our over-all military strength and our strategic position vis-a-vis the Soviet Union, I consider that our military posture is stronger and our ability to inflict damage is today greater, than that of the Soviet Union.

Furthermore, we have allies. The strength, the dependability, and the dedication of our allies put them in a very different category than the unwilling and undependable allies of Moscow, even including the Chinese Communists.

But as the Soviet military capabilities and their nuclear power grow, they will feel that their foreign policy can be somewhat more assertive.

Approved For Release : CIA-RDP70-00058R000100230011-3

Approved For Release : CIA-RDP70-00058R000100230011-3

In 1956 during the Suez crisis, we had the first Soviet missile-rattling as a new tactic of Moscow diplomacy. Since then there have been the Taiwan Straits and Berlin crises, and today the aggressive Communist penetration of Iraq. Hence, we must assume that they will continue to probe and to test us, and they may even support other countries in aggression by proxy. They will put us to the test.

There are two points to keep in mind as we view the military future. Firstly, with a much lower industrial base than we, they are producing a military effort which is roughly equivalent to our own; and secondly, they have conditioned their people to accept very real sacrifices and a low standard of living to permit the massive military buildup to continue. If the Soviet should decide to alter their policy so as to give their own people a break in the consumer field with anything like the share in their gross national product which we, as a people enjoy, the prospects of real peace in our time would be far greater.

I will turn now to some of the highlights of the economic aspect of the Soviet challenge.

The new confidence of Khrushchev, the shrewd and vocal leader of the Soviet Communist party, and incidentally head of government, does not rest solely on his conviction that he, too, possesses a military deterrent. He is convinced that the final victory of Communism can be achieved mainly by non-military means. Here the Soviet economic offensive looms large.

Approved For Release : CIA-RDP70-00058R000100230011-3

Approved For Release : CIA-RDP70-00058R000100230011-3

The proceedings of the recent 21st Party Congress laid out what we might call the Soviet economic order of battle.

Khrushchev explained it in these words, to summarize the ten hours of his opening and closing remarks:

> "The economic might of the Soviet Union is based on the priority growth of heavy industry; this should insure the Soviet victory in peaceful economic competition with the capitalist countries; development of the Soviet economic might will give Communism the decisive edge in the international balance of power."

In the short space of 30 years, the Soviet Union has grown from a relatively backward position into being the second largest industrialized economy in the world. While their headlong pace of industrialization has slowed down moderately in the past few years, it still continues to be more rapid than our own. During the past seven years, through 1958, Soviet industry has grown at the annual rate of 9½ per cent. This is not the officially announced rate which is somewhat larger. It is our reconstruction and deflation of Soviet data.

Our own industrial growth has been at the annual rate of 3.6 per cent for the seven years through 1957. If one included 1958, the comparison with the rate of Soviet growth would be even less favorable.

Approved For Release : CIA-RDP70-00058R000100230011-3

Approved For Release : CIA-RDP70-00058R000100230011-3

I do not conclude from this analysis that the secret of Soviet success lies in greater efficiency. On the contrary. In comparison with the leading free enterprise economies of the West, the Communist state-controlled system is relatively inefficient.

The secret of Soviet progress is simple. It lies in the fact that the Kremlin leaders direct a far higher proportion of total resources to national policy purposes than does the United States. I define national policy purposes to include, among other things, defense and investment in heavy industry.

With their lower living standards and much lower production of consumer goods, they are in effect, plowing back into investment a large section of their production, thirty per cent, while we in the United States are content with 17 - 20 per cent.

Soviet investment <u>in industry</u> as planned for 1959 is about the same as U.S. investment <u>in industry</u> during 1957 which so far was our best year.

Although the Soviets in recent years have been continually upping the production of consumer goods, their consuming public fares badly in comparison with ours. Last year, for example, Soviet citizens had available for purchase barely one-third the total goods and services available to Americans. Furthermore, most of the U.S. output of durable consumer goods is for replacement, while that of the USSR is for first-time users. In summary, the Soviet economy is geared largely to

Approved For Release : CIA-RDP70-00058R000100230011-3

Approved For Release : CIA-RDP70-00058R000100230011-3

economic growth and for military purposes; ours is geared largely to increasing consumer satisfactions and building a higher standard of living.

Here are some examples: while the Soviets last year were producing only one automobile for every fifty we produced, they were turning out four machine tools to our one.

This contrast in emphasis carries through in many other fields. Our capital expenditure for transportation and communications is more than double the comparable Soviet expenditure. Yet this is largely accounted for by our massive highway building program which has been running 15 to 20 times the USSR spending, whereas their annual investment in railroad rolling stock and fixed assets substantially exceeds ours.

At the moment, they do not feel much incentive in the road building field. They have no interest in having their people travel around on a massive scale. Also this would put pressure on the Kremlin to give the people more automobiles.

Commercial investment, which includes stores, shopping centers, drive-in movies and office buildings, has been absorbing over 6 billion dollars a year in the US, and only two billion in the USSR.

Our housing investment is roughly twice that of the Soviet even though living space per capita in the U.S. is already four times that of the USSR.

Approved For Release : CIA-RDP70-00058R000100230011-3

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What of the future? In Khrushchev's words, "The Soviet Union intends to outstrip the United States economically . . . To surpass the level of production in the United States means to exceed the highest indexes of capitalism."

Khrushchev's ambitious seven year plan establishes the formidable task of increasing industrial production about 80 per cent by 1965.

Steel production, according to the plan, is to be pushed close to 100 million net tons. Cement output is set at a level somewhat higher than industry forecasts place United States production in 1965.

The energy base is to be revolutionized. Crude oil and natural gas will constitute more than one half of the total energy supply, and relatively high cost coal will be far less important than now.

By 1965, the USSR plans to produce about 480 billion kilowatt hours of electricity. As a study comparing U. S. and USSR electric power production prepared by a leading industrial research group pointed out, this means that the absolute gap between the U. S. and USSR in the quantities of electricity generated will increase somewhat in our favor over the next seven years.

This interesting study received a considerable amount of deserved publicity. We agree with its conclusion. However, what is true about electric power is not true across the board, as some commentators concluded.

Approved For Release : CIA-RDP70-00058R000100230011-3

Approved For Release : CIA-RDP70-00058R000100230011-3

For example, compare primary energy production trends in the two countries. Soviet production of coal, petroleum, natural gas and hydroelectric power, expressed in standard fuel units, amounted to 45 per cent of the U.S. production in 1958. By 1965 it will be close to 60 per cent. The absolute gap in primary energy has been closing since 1950. At the present pace, it will continue to narrow over the next seven years.

Similarly, the absolute gap in steel production has been shrinking over the past five years. The maximum gap in steel capacity apparently was reached in 1958.

The comforting illusion spread by the "disciples of the absolute gap" should not serve as a false tranquilizer.

At the same time, it is important not to exaggerate Soviet prospects in the economic race. In the propaganda surrounding the launching of the Seven Year Plan, Khrushchev made a number of statements about Soviet economic power which were nothing more than wishful thinking. Specifically he stated that, "after the completion of the Seven Year Plan, we will probably need about five more years to catch up with and outstrip the United States in industrial output." "Thus," he added, "by that time (1970), or perhaps even sooner, the Soviet Union will advance to first place in the world both in absolute volume of production and in per capita production."

Approved For Release : CIA-RDP70-00058R000100230011-3

Approved For Release : CIA-RDP70-00058R000100230011-3

First of all, to reach such improbable conclusions, the Kremlin leaders overstate the present comparative position. They claim USSR industrial output to be 50 per cent of that of the US. Our own analyses of Soviet industrial output last year concluded that it was not more than 40 per cent of our own.

Secondly, Khrushchev forecasts that our future industrial growth will be only two per cent a year. If this is true, the United States will be virtually committing economic suicide. This prediction I regard as unrealistic.

A saner projection would place 1965 Soviet industrial production at about 55 per cent of our own. By 1970, assuming the same relative rates of growth, USSR industrial output, as a whole, would be about 60 per cent of that in the United States.

Further, when Khrushchev promises his people the world's highest standard of living by 1970, this is patently nonsense. It is as though the shrimp had learned to whistle, to use one of his colorful comments.

These Soviet exaggerations are a standard tool of Communist propaganda. Such propaganda, however, should not blind us to the sobering implications of their expected economic progress.

First of all, rapid economic growth will provide the Kremlin leaders with additional resources with which to intensify the arms race. If recent trends and present Soviet policies continue, Soviet military spending could increase by over 50 per cent in the next seven years without increasing the relative burden on their economy.

Approved For Release : CIA-RDP70-00058R000100230011-3

Approved For Release : CIA-RDP70-00058R000100230011-3

Secondly, some additional improvement can be made in the standards of living of the Russian people, even with continued emphasis on heavy industry and armaments. It is only since the death of Stalin in 1953 that serious attention has been given to improving living standards. The moderate slow-down in the headlong growth of heavy industry which then ensued has been caused, in large part, by the diversion of more resources to housing, to agriculture, and to consumer goods.

Living standards, based on present Soviet plans, are expected to increase about one-third over the next seven years. This level, if achieved, will still be far below that which our own citizens are now enjoying, but it will look good to people who for long have been compelled to accept very low standards.

Finally, the Soviet Seven Year Plan, even if not fully achieved, will provide the wherewithal to push the expansion of trade and aid with the uncommitted and underdeveloped nations of the Free World. By 1965 Soviet output of some basic raw materials and some industrial products will be approaching, and in a few cases exceeding, that of the United States. Most prominently, these products will be the kind that are needed for industrialization in the less developed countries.

The outcome of this contest -- the Communist challenge in underdeveloped areas -- is crucial to the survival of the Free World.

Approved For Release : CIA-RDP70-00058R000100230011-3

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This is an unprecedented epoch of change. Within little more than ten years, over three quarters of a billion people, in twenty-one nations, have become independent of colonial rule. In all of these newly emergent countries, there is intense nationalism coupled with the determination to achieve a better way of life which they believe industrialization will bring them.

The leaders of world Communism are alert to the opportunity which this great transformation provides them. They realize the future of Communism can be insured only be expansion, and that the best hope of such expansion lies in Asia and Africa. While they are attempting to focus all our concern on Berlin, they are moving into Iraq with arms, economic aid, and subversion, and giving added attention to Africa.

The Communist bloc trade and aid programs in undeveloped countries moved into high gear during 1958. The equivalent of over one billion dollars in new credits was extended to underdeveloped countries by the bloc in this year. In the four year period ending 1958 the total of grants and credits totalled 2.5 billions, of which 1.6 came from the USSR and the balance from the satellites and China. Three-fifths of the total delivered to date has been in the form of arms to the UAR -- Egypt and Syria -- Yemen, Iraq, Afghanistan and Indonesia. These same countries, plus India, Argentina, Ceylon, Burma and Cambodia, have received the bulk of the economic aid.

Approved For Release : CIA-RDP70-00058R000100230011-3

Approved For Release : CIA-RDP70-00058R000100230011-3

Over 4,000 bloc technicians have been sent to assist the development of nations in the Free World. About 70 per cent of these technicians are engaged in economic activities. Others are reorganizing local military establishments and teaching bloc military doctrine to indigenous personnel.

The bloc also has a well developed program for training students from underdeveloped countries. About 3,200 students, technicians, and military specialists have now received such training behind the Iron Curtain.

While these figures are still well below the total of our own aid, loan and training programs, this massive economic and military aid program is concentrated in a few critical countries and of course these figures do not include Soviet aid and trade with the East European satellites and Communist China.

India, which has received over 325 million of bloc grants and credits, is a primary recipient. The Soviet economic showplace here is the Bhilai steel mill, being built by the Russians. The U.A.R. over the past four years received over 900 million dollars in aid and credits. This investment today does not seem quite as profitable to the Soviet as it did last year.

Iraq provides a prime example of the opportunistic nature of the bloc's aid program.

Approved For Release : CIA-RDP70-00058R000100230011-3

Approved For Release : CIA-RDP70-00058R000100230011-3

Prior to the coup d'etat on July 14th last year, Iraq's economic involvement with Communist nations had been negligible. In the past few months, the USSR has provided over $250 million in military and economic development credits. The Iraq Development Board has dropped its two Western advisors. Western technicians are also being dismissed and contracts with many Western firms cancelled. Increasingly, Moscow is pressuring the Iraq government to accept dependence on Communist support and the number of fellow travellers in high government posts is growing.

The Soviet policy of economic penetration fits like a glove into their world-wide campaign of subversion, which is the third main element of the triple Soviet challenge: military, economic and subversive.

International Communism has not changed its operating procedure since the days of the Comintern and the Cominform. The Communist Party of the USSR, of which Khrushchev is the leader, is the spearhead of the movement. It has a world-wide mission, formulated by Lenin and Stalin and now promoted by Khrushchev but with more subtle techniques than those of Stalin. This mission continues to be the subversion of the entire free world, starting of course with those countries which are most vulnerable.

Its arsenal of attack is based, first of all, on the Communist parties of the Soviet Union and Communist China. These in turn

Approved For Release : CIA-RDP70-00058R000100230011-3

Approved For Release : CIA-RDP70-00058R000100230011-3

direct the hard core Communist organizations which exist in practically every country of the world. Every Communist party maintains its secret connections with Moscow, or in case of certain of the Communist parties in the Far East, with Peiping.

These parties also have an entirely overt association with the international Communist movement. At the 21st Meeting of the Soviet Party Congress, there were present representatives of some 60 Communist parties throughout the world, including two representatives of the US Communist Party. The single theme of these Communist leaders was their confidence in the eventual world-wide triumph of the Communist movement.

From time to time Moscow has made agreements such as the Litvinov Pact, in 1933, not to interfere in the internal affairs of other countries. On the strength of this we resumed relations with the Soviet. They are eager to conclude like agreements of "friendship and non-aggression," with all countries of the world. These are not worth the paper they are written on. During World War II, Moscow abolished the international Comintern to propitiate the United States, its then wartime ally. Its functions have, however, been carried on continuously under other forms.

In addition to its world-wide penetration through Communist party organizations, the Communists in Moscow and Peiping have set up a whole series of front organizations to penetrate all segments of life in the free countries of the world. These include the World Federation of

Approved For Release : CIA-RDP70-00058R000100230011-3

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Trade Unions, which claims some 90 million members throughout the world. International organizations of youth and students stage great festivals at frequent intervals. This summer they are to meet in Vienna. This is the first time they have dared meet outside of the Iron Curtain.

They have the Women's International Democratic Federation, the World Federation of Teachers Unions, the International Association of Democratic Lawyers; Communist journalists and medical organizations. Then cutting across professional and social lines, and designed to appeal to intellectuals, the Communists have created the World Peace Council which maintains so-called peace committees in 47 countries, gaining adherents by trading on the magic word of "peace."

To back up this massive apparatus, the Soviet has the largest number of trained agents for espionage and secret political action that any country has ever assembled. In Moscow, Prague and Peiping and other Communist centers, they are training agents recruited from scores of other countries to go out as missionaries of Communism into the troubled areas of the world. Much of the Middle East and Southeast Asia, and particularly Black Africa, are high on their target list. They do not neglect this hemisphere as recent disclosures of Communist plotting in Mexico show us. Their basic purpose is to destroy all existing systems of free and democratic government and disrupt the economic and political organizations on

Approved For Release : CIA-RDP70-00058R000100230011-3

Approved For Release : CIA-RDP70-00058R000100230011-3

which these are based. Behind their Iron Curtain they ruthlessly suppress all attempts to achieve more freedom -- witness Hungary and now Tibet.

The task of destruction is always easier than that of construction. The Communist world, in dealing with the former colonial areas and the newly emerging nations of the world, has appealing slogans to export and vulnerable economic conditions to exploit. The fragile parliamentary systems of new and emerging countries are fertile ground for these agitators.

Also under the heading of subversion we must not overlook the fact that the Communist leaders have sought to advance their cause by local wars by proxy -- Korea, Vietnam, Malaya are typical examples.

In conclusion I wish to emphasize again the pressing need for a clearer understanding of the real purpose of the Sino-Soviet program. There is no evidence that the present leaders of the Communist world have the slightest idea of abandoning their goal, or of changing the general tactics of achieving them.

Those who feel we can buy peace by compromise with Khrushchev are sadly deluded. Each concession we give Him merely strengthens his position and prestige and the ability of the Soviet regime to continue its domination of the Russian people whose friendship we seek.

Approved For Release : CIA-RDP70-00058R000100230011-3

Approved For Release : CIA-RDP70-00058R000100230011-3

Our defense lies not in compromise but in understanding and firmness, in a strong and ready deterrent military power, in the marshalling of our economic assets with those of the other free countries of the world to meet their methods of economic penetration, and finally in the unmasking of their subversive techniques.

The over-all power of the free world is still vastly superior to that under the control of the leaders of international Communism. If they succeed and we fail, it will only be because of our complacency and because they have devoted a far greater share of their power, skill and resources to our destruction than we have been willing to dedicate to our own preservation.

They are not supermen. Recently they have made a series of blunders which have done what words could not do to help us unmask their true intentions. These very days Communist actions in Iraq and Tibet have particularly aroused Moslems and Buddhists against international Communism. The institution of the so-called "Communes" system on the China Mainland has shocked the free world and even the Soviet leaders apologetically refuse to endorse it.

Despite the problems surrounding the Berlin issue, Western Europe is stronger than it ever has been since World War II. Much of Free Asia and the Middle East is becoming alerted to the true significance of Communism.

Approved For Release : CIA-RDP70-00058R000100230011-3

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The outcome of the struggle against international Communism depends in great measure upon the steadfastness of the United States and its willingness to accept sacrifices in meeting its responsibility to help maintain freedom in the world.

Approved For Release : CIA-RDP70-00058R000100230011-3